

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: **Shri. Preman Dinaraj, Chairman**

Petition No. OA 15/2020

In the matter of : Proposal to recover the additional cost incurred during the period April 2020 to June 2020 over approved level on Generation and Power Purchase due to variation in cost of fuel, from all consumers including Bulk Consumers and other Licensees.

Petitioner : Kerala State Electricity Board Limited.

Daily order dated 13.10.2020

1. Kerala State Electricity Board Ltd (herein after referred to as KSEB Ltd or the petitioner) on 11.09.2020 filed a petition for recovery of fuel surcharge for the period from April 2020 to June 2020, with prayers as follows:

*(a) The additional financial liability incurred by KSEBL, amounting to **Rs 38.94 Cr.**, due to the variation in power purchase cost resulting from the variation in cost of fuel for the period from April to June 2020 for the procurement/ generation of energy from various thermal sources as per Regulation 86 of KSERC Tariff Regulations, 2018 as detailed in Annexure IV & V to this petition may kindly be approved.*

*(b) This approved additional cost may kindly be allowed to be recovered from consumers including bulk consumers and other licensees as fuel surcharge, as per the Regulation 86 of KSERC Tariff Regulations, 2018, **@ 6 paise per unit from 1st March 2021 onwards.***

2. Summary of the petition filed by KSEB Ltd is given below.

(1) The Commission vide the Order dated 08.07.2019 in OA No. 15/2018, had approved the ARR, ERC and Tariff for the MYT period from 2018-19 to 2021-22. Cost of power purchase is the main expense components of the ARR of KSEB Ltd.

- (2) Sub Regulation (6) of Regulation 86 of the Tariff Regulation, 2018 mandate that, KSEB Ltd has to file the petition for approval of the additional liability incurred in power purchase due to variation in cost of fuel from approved sources within 30 days after the close of each quarter. Accordingly, the petition for the first quarter has to be filed on or before 30th of July 2020. However, the petition was filed by KSEB Ltd only on 11.09.2020 with a delay of 41 days. This delay was mainly due to the unprecedented situation arising out of Covid-19 pandemic and also the delay in finalizing the Regional Energy Accounts (REA) by the SRPC. KSEB Ltd has also filed an application for condonation of delay along with the petition.
- (3) A comparison of the actual variable cost claimed by KSEB Ltd vis-vis the same approved vide the Order dated 08.07.2020 in OA No. 15/2028 is given below.

Sl No	Source	Approved	Actual (Rs/ kWh)		
		(Rs/ kWh)	Apr-20	May-20	Jun-20
Central Generating Stations					
1	NTPC-RSTPS Stage I & II	2.54	2.58	2.58	2.47
2	NTPC-RSTPS Stage III	2.49	0.00	0.00	2.43
3	Talcher	1.77	2.00	1.89	1.91
4	Simhadri TPS Stage II	2.95	2.98	3.00	2.95
5	NLC-Stage-1	2.69	2.76	2.77	2.77
6	NLC-Stage-II	2.69	2.77	2.77	2.77
7	NLC I Expansion	2.49	2.54	2.54	2.54
8	NLC II Expansion	2.49	2.57	2.56	2.56
9	Vallur STPS	3.2	3.52	3.53	3.53
10	NTPL	3.28	2.78	2.70	2.70
11	NTPCKudgi	3.98	3.59	0.00	3.13
Independent Power Producers					
12	RTPS	2.34	3.32	3.32	3.20
13	Mejia	2.51	2.88	2.77	2.72
14	Maithon Power Ltd- Contract I	2.43	2.67	2.67	2.76
15	Maithon Power Ltd- Contract II	2.43	2.67	2.67	2.76
16	Jindal Power Ltd-Bid I	1.31	1.31	1.31	1.31
17	Jhabua Power Ltd-Bid I	1.95	1.96	1.96	1.96
18	Jindal Power Ltd-Bid II	1.19	1.31	1.31	1.31
19	Jhabua Power Ltd-Bid II	1.73	1.88	1.88	1.88
20	JITPL	1.03	1.14	1.14	1.14
21	BALCO	1.22	1.16	1.16	1.16

- (4) The summary of additional liability claimed by KSEB Ltd for the first quarter of the FY 2020-21 is given below.

Source	Energy procurement			Add liability	
	Apprvd quantum	Actual	Admissible as per regulation	Actual	Admissible as per regulation
	(MU)	(MU)	(MU)	(Rs. Cr)	(Rs. Cr)
CGS	2401.91	1610.42	1607.19	12.51	12.53
IPPs	2318.35	2078.08	2048.56	26.62	26.42
Total	4720.26	3688.49	3655.74	39.12	38.94

KSEB Ltd proposed to collect the fuel surcharge @6 paise per unit for the energy consumption from March 2021 onwards.

- (5) KSEB Ltd further submitted that, due to Covid-19 pandemic and consequent lockdowns, the energy demand as well as the actual availability of power from various sources are considerably less than the approved figures, as detailed below.
- The actual demand during the first quarter was less by 921 MU from the approval.
 - Reduction in energy availability from CGS, IPPs and Renewables during first quarter from April to June 2020 was 1465.19MU, as detailed below.
 - (i) Reduction in energy availability from CGS- 901.84 MU.
 - (ii) Reduction in renewable purchase- 356.60 MU.
 - (iii) Reduction in availability from IPPs- 240.33 MU
 - As part of banking contracts entered, KSEBL returned 38.44 MU and there was an external sale of 11.18MU during the quarter.
 - Reduction in energy availability from CGS and IPPs leads to an additional requirement of 276.27 MU from short term markets/ exchanges and deviation settlements.
 - In the MYT order, Commission anticipated an energy surplus of 317.52 MU and additional revenue of Rs 158.76 crore through sale of this surplus power @Rs 5.00/unit. However, the external sale of 11.18MU could happen only in first quarter resulting in the reduction in revenue from surplus power sale by Rs 153.17 crore.
 - Further, the reduction in energy demand due to Covid-19 pandemic by 921MU, resulted in a reduction in revenue of Rs 497.86 crore @Rs 6.144/unit (average realization approved for the year 2019-20).
- (6) Thus due to Covid-19 pandemic, and the consequent reduction in energy availability of CGS and IPPs, and also the reduction in energy demand, it resulted in the reduction in revenue (total) of Rs 651.03 crore. The reduction in cost of power purchase due to reduction in availability from CGS and IPPs is about Rs 366.88 crore. Thus, there is a shortfall in revenue to KSEB Ltd during the first quarter of the FY 2020-21 by about Rs 284.15 crore when compared to the approval.

Since the impact of the reduction in demand and availability cannot be addressed under Fuel Surcharge Regulations, KSEB Ltd will address the matter at the time of truing up.

- (7) KSEB Ltd further, submitted that, as a result of the relief measures extended to various categories of consumers as per the directions of the State Government to alleviate the difficulties faced by consumers due to the lock down imposed by the State Government to curb the Covid Pandemic, KSEB Ltd is facing financial difficulties owing to the delay in recovery of revenue.
3. The Commission admitted the petition as OA No 15/2020 and published it in the website of the Commission for comments of the stakeholders. Public hearing on the petition was held on 06.10.2020 through video conference. The list of the stakeholders who participated in the deliberations of the subject petition is given as Annexure-1. Summary of the deliberations during the hearing is given below.
- (1) Sri K G P Nampoothiri, Executive Engineer, presented the petition on behalf of KSEB Ltd and responded to the queries of the Commission, and its summary is given below.
- The total additional liability incurred by KSEB Ltd for power purchase during the first quarter of the financial year 2020-21 over approved level is Rs 38.94 Crore, and proposed to recover the same from consumers @ Rs 0.6/unit from March 2021 onwards.
 - The variation in price for CGS was due to variation in fuel price, calorific value of fuel, usage of imported coal and also due to the change in norms such as Station SHR, auxiliary consumption etc as per the CERC Tariff Regulations 2014 and CERC Tariff Regulations, 2019.
 - KSEB Ltd further submitted that, Neyveli New Thermal Power Station (NNTPS) is commissioned during the first quarter and the power is being scheduled from the Station as Central Government allocation. KSEB Ltd not claimed fuel surcharge for these station. On a query by the Commission, KSEB Ltd clarified that the petition for approval of the PPA is yet to be filed before the Commission, however power is being scheduled from the Station since the station being a CGS and the power is being allotted by the MoP, Gol.
 - ***The Commission clarified during the hearing that, as per the Regulation 76 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018, prior approval of the PPA from the Commission is required for all power purchases including the purchase from CGS with allocation by Ministry of Power, Government of India. Further, mere allocation of power by MoP does not absolve the distribution licensee from***

applicability of Section 86(1) (b) wherein the State Commission has the power to regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State. The commission also pointed out that no approval has been given in the Commission's ARR&ERC orders dated 08.07.2019 of K S E B Ltd. for procuring power from this source. Hence the Commission directed K S E B Ltd. to file the petition in this regard immediately.

- (2) Sri Dijo Kappen, representing domestic consumers submitted that, the Commission in the year 2008, in OP 8/2008, directed KSEB Ltd to collect arrears from consumers promptly and to report the same to the Commission on quarterly basis. This is not adhered to.

The cost of power under long-term purchases for 25 years is on higher side when comparing the cost of power in the power exchanges. Most often, KSEB Ltd is not able to answer the queries of the Commission during the hearings. Hence necessary direction may be given to the officers of KSEB Ltd to do the necessary home work before appearing before the Commission for the hearings.

- (3) Sri. Prabhakaran, HT & EHT Association submitted that KSEB could not file the petition for approval of fuel surcharge within the time frame stipulated by the Commission. Situations like flood, Covid-19 pandemic further delays the filing of the fuel surcharge petition. Hence the Commission may allow more time to file the fuel surcharge petition so that the delay condonation could have avoided.
- (4) Sri. Saji Mathew, representing MRF, remarked that the practice of getting approval of PPA on the post facto basis cannot be entertained. Further, KSEB Ltd being a public entity, the loss or gain of KSEB Ltd is fall on the shoulders of the stakeholders in the long run.
- (5) Smt. Prini Peter, Carborandum Universal Limited, submitted that the power purchase under DBFOO basis is without the approval of the Commission. KSEB Ltd should avail power from the power exchanges and short term market including power exchanges under open access to reduce the overall price.
- (6) Sri Satheesh A R, president, HT&EHT consumers association submitted that, the amount of fee for condonation of delay shall not be allowed to pass on to the consumers. Sri. Rajesh Kuruvilla and Sri. Satheesh A R, made a detailed presentation on behalf of HT & EHT Association, and the summary of the issues raised by them is given below.

- The T&D loss worked out by KSEB Ltd on monthly basis varies from 8.31% in April-2020 to 14.49% in May-2020 and 6.03% in June-2020. KSEB Ltd has not explained the reasons for such wide variations. This is required to be looked into by the Commission.
- The T&D loss approved by the Commission for the year 2020-21 is 12.02%, where as KSEB Ltd could reduce the T&D loss to 8.31% in certain months. Hence the Commission may refix the T&D loss target to 8%.
- There is wide variation in the energy consumption as per the SLDC data published daily, and the actual consumption claimed by KSEB Ltd. The actual consumption is always less than the SLDC data and the actual consumption claimed appears to be incorrect and may be for showing better T&D loss achievement.
- The short term power purchase cost by KSEB Ltd through contracts is much higher than the IEX price during this quarter. The cost difference between the average IEX rate and the short term contract rate is Rs 1.34/unit in Apr-2020 and Rs1.24 per unit in May-2020.
- The Commission may verify the prudence of procuring power at higher cost through short term contracts when power is available in open access markets at much lower rates.
- The variable cost of power purchase from almost all the CGS and IPPs are much higher than the IEX rate during the quarter.
- As per the details submitted by KSEB Ltd, though normative availability has been declared for NTPC RSTPS Stage I and II, NTPC Talcher II, NTPC Simhadri II, NLC TPS Stage 1, Vallur, NTPL and Kudgi stations, there is shortfall in the energy scheduled from these stations ranging from 22.90% to 99.90% when compared to the quantum of power purchase approved.
- KSEB Ltd entered into long term agreements for power purchase when other utilities are withdrawing from long term contracts. KSEB Ltd received good rainfall and better inflow this year for their own hydro generation.
- Association remarked that, the cost of power purchase claimed by KSEB Ltd for CGS is much higher than the same claimed for the same units by other States. This is required to be verified before admitting this claim.
- Association further submitted that, KSEB Ltd has claimed fuel surcharge amounts of Rs 8.50 crore for Jhabua Power-bid-II, Jindal Power- bid-II, Jindal Thermal Power Ltd-bid-II whereas the PPA of

these stations are not approved by the Commission. Hence the Association requested to disallow the same.

- Association claimed that instead of the fuel surcharge claim of Rs 38.94 crore, there was a possible savings of Rs 41.65 crore by availing short term power purchase from IEX. Further by disallowing the fuel surcharge claim from DBFOO-bid-2 contracts which are not yet approved by the Commission, the net benefit on power purchase over the approval during the first quarter would be Rs 11.21 crore.

- (7) KSEB Ltd clarified that, in view of the long term agreements entered into they cannot completely resort to short term market purchase including IEX for meeting the power requirement of the State. The short term contracts were entered into for meeting the anticipated peak power shortage and energy shortage during the summer months and that too in February 2020. At present upto 10% of the energy demand is being met by purchasing power from power exchanges. However, in order to ensure reliable power on demand to all its consumers in the State, short term power purchase with its attendant unpredictability cannot be relied upon and may even be costlier in the long run.

To the comment for disallowing the delay condonation petition fees, KSEB Ltd submitted that, the Commission has been allowing the A&G expenses to KSEB Ltd on normative basis only. Hence the fees remitted to the Commission for condonation of delay is not claimed separately through tariff.

KSEB Ltd further clarified that, the energy consumption as per the SLDC data includes the energy injected into the system by captive consumers such as CIAL, Maniar and Kuthumkal for their own consumption, and also the power purchase of HT&EHT consumers by availing short-term open access. However, the energy consumption claimed by KSEB Ltd includes their own generation and power purchased by KSEB Ltd only.

4. Based on the deliberations during the hearing, the Commission hereby direct the KSEB Ltd to submit the following.

- (1) Station Heat Rate (SHR) and Auxiliary Consumption as per the present CERC Tariff Regulations, 2019 and the same claimed in the ARR as per the previous CERC Tariff Regulations 2014.
- (2) Details of the variation of calorific value of fuel claimed by CGS and IPPS compared to the same claimed in the ARR petition.
- (3) Details of the blending of imported coal with domestic coal at CGS, and the reasons for the same claimed by the generator.

- (4) Detailed explanation on the wide variation in the T&D loss on month to month basis with supporting documents.

KSEB Ltd shall also file a separate petition seeking approval of PPA of Neyveli New Thermal Power Stations, with all details with all details and justification for this purchase.

The above details shall be submitted before the Commission latest by 30th October 2020.

Sd/-
Preman Dinaraj
Chairman

Approved for issue

C R Satheeshchandran
Secretary (i/c)

Annexure 1

List of stakeholders participated in the public hearing held on 06.10.2020

1. Sri. K.G.P Namboothiri, Executive Engineer, KSEBL
2. Smt. Seema P Nair, AEE, KSEBL
3. Sri. Dijo Kappan, Kottayam
4. Sri. Satheesh A R, President HT & EHT Association
5. Sri. Pradeep M, HT & EHT Association
6. Sri. Prabhakaran, HT & EHT Association
7. Sri. Rajesh Kuruvilla, Carboradum Universal
8. Sri. Saji Mathew, MRF Ltd
9. Sri. George K K, Eranakulam
10. Smt. Prini Peter, CUMI